



State of California

Employment Training Panel

Arnold Schwarzenegger, Governor

June 29, 2009

Cynthia Demorest, Human Resources Manager
Natural Alternatives International, Inc.
1185 Linda Vista Drive
San Marcos, CA 92078

Dear Ms. Demorest:

RE: **FINAL MONITORING VISIT REPORT** for Natural Alternatives International, Inc. (NAI) ET08-0154

Date of the Visit:	06/23/09
Beginning/Ending Time:	10:00 a.m. – 11:15 a.m.
Date of Last Visit:	01/28/09
Visit Location:	Via Teleconference
Persons in attendance:	Cynthia Demorest, Human Resources Manager, and Carole Robinson, ETP Contract Analyst.
Action Required:	No

CONTRACT INFORMATION:

Term of Agreement:	08/07/07 – 08/06/09	Agreement Amount:	\$392,850
		Job 1	\$337,410
		Job 2	\$55,440
Training Start Date:	08/07/07	No. to Retain:	
		Job 1 (NAI)	163
		Job 2 (RHL)	44
Date Training must be Completed:	05/05/09	Range of Hours:	24 - 200
Type of Trainee:	Retrainee	Weighted Ave. Hours:	
		Job 1 (NAI)	115
		Job 2 (RHL)	84

FINAL REPORT SUMMARY:

SACRAMENTO CENTRAL OFFICE
1100 J Street, 4th Floor
SACRAMENTO, CA 95814
(916) 327-5640

N. HOLLYWOOD REGIONAL OFFICE
4640 Lankershim Blvd., Suite 311
NORTH HOLLYWOOD, CA 91602
(818) 755-1313

S.F. BAY AREA REGIONAL OFFICE
1065 East Hillsdale Blvd, Suite 415
FOSTER CITY, CA 94404
(650) 655-6930

SAN DIEGO REGIONAL OFFICE
5353 Mission Center Road, Suite 110
SAN DIEGO, CA 92108
(619) 686-1920

www.etp.ca.gov
ETP (05/16/2007)

- **HISTORY OF AGREEMENT CHANGES**

The Agreement was executed on 09/15/07 and training began on 08/07/07. You reported that all training was completed on 05/05/09, which allows for the 90-day retention period to be completed within the term ending date of the Agreement (08/46/09).

There were two Revision Requests made to add additional class/lab training topics to the approved Curriculum. Both of these requests were processed as Modifications to the approved Agreement. The first, approved on 09/13/07, added the topics of SharePoint under Computer Skills. The second, approved on 10/03/08 added Intermediate/Advanced Excel) under Computer Skills.

- **INTERVIEW WITH COMPANY REPRESENTATIVE**

You reported no major difficulties with the administration of the Agreement. As previously reported in the last Monitoring Report, NAI sold Real Health Laboratories in 2008 which was included in the approved Agreement as Job 2. Therefore, only one trainee completed the minimum number of training hours (24) in Job 2. You stated that, overall, the ETP funded training allowed NAI to implement some new manufacturing processes and internal computer improvements (SharePoint) to allow sharing of information among different departments. As a result, the company is able to save time and make better decisions based on the ability access information, use matrices, and review various reports. Although the company was going to implement use of SharePoint in all departments, it was unable to do so due to budgetary restraints over the past 18 months.

New 2008 FDA regulations now require extensive product testing upon entry into the U.S. of all ingredients NAI receives from overseas sources. The testing procedures at entry, and those later performed by its contractors who must approve use of these ingredients, caused manufacturing delays in delivery of completed product to its customers. New manufacturing equipment that was purchased to cut processing time took much longer to become operational than planned resulting in intermittent delays to the manufacturing processes. The downturn in the economy has also directly affected consumer demand for NAI's nutritional supplements and stores have not been making as many orders as they have in the past.

NAI cut-back 40% to its labor force in 2008 when a third shift hired to meet the manufacturing demands of one potential customer and other previously anticipated orders did not come to fruition. This directly affected the company's ability to deliver much of the ETP funded training. In addition, NAI delivered Literacy Skills training in excess of 45% of the vocational skills for approximately 28 retrainees. The ETP On-line Tracking System does not document that these trainees attended enough other vocational skills training hours to be potentially eligible for ETP reimbursement. Therefore, Ms. Robinson informed you that they must be dropped in addition to any other trainees who did not complete at least the minimum number of hours (24) and all other terms and conditions of the Agreement including a 90-day retention period as a fulltime employee of NAI and wage requirements prior to the reduction in workforce that took place in 2008.

According to ETP records at the time of this final meeting, NAI will retain approximately 51 employees (25% of planned retention). Based on ETP records, if all other terms and conditions of the agreement are met, NAI will potentially earn a total reimbursement of \$45,624 (12% of the encumbered amount). As of the date of this report, NAI has received \$24,120 in unearned progress payments.

You stated that the company will submit its Closeout invoice by 09/05/09.

PROJECT STATUS PROVIDED BY THE CONTRACTOR

Trainees Started Training: Job 1 Job 2	147 44	Completed Training: Job 1 Job 2	10 1
Trainees Enrolled: Job 1 Job 2	281 44	In Retention Period: Job 1 Job 2	0 0
Dropped Following Enrollment: Job 1 Job 2	121 43	Completed Retention: Job 1 Job 2	10 1
No. Completed Minimum Reimbursable Hours : Job 1 Job 2	Job 1 = 50 Job 2 = 1		

PROJECT ADMINISTRATION/TRACKING:

* Total potential ETP projected reimbursement based on eligible class/lab training hours tracked to date:			\$45,624
Progress payments made to date:	\$24,120	Earned to Date:	\$0

During this visit as well as in the past, Ms. Robinson reminded those present that all retrainees participating in Class/lab training for this Agreement must be fulltime employees of NAI for at least 90 days.

SUBAGREEMENTS:

One out-of-state vendor, Capsugel, was approved during the term of this agreement. All other training subcontractor information was provided during previous Monitoring Visits.

AUDIT:

NAI will be notified in writing if this agreement is selected for an audit that will be conducted either at your site (field audit) or by telephone if selected for a desk audit (or "review"). These notifications will be sent in advance to allow ample preparation time and will include a list of documentation that will be examined by the auditor. A list of the documentation typically examined during an audit will be included along with the Audit Notification and Audit confirmation letters. To provide support of training, original training attendance documentation is required; photocopied records are not acceptable. Listed below are types of records typically requested during an ETP field audit:

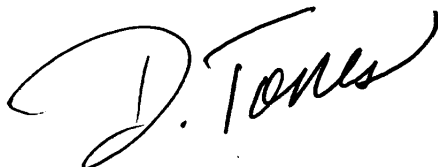
- Training attendance records such as rosters, sign-in sheets, etc.
- Payroll records of individual trainees to verify wage and hours worked
- Personnel records regarding occupation and dates of employment
- Documentation of employer paid health benefits (if applicable)
- Cash receipts to verify receipt and accounting of ETP funds

RECORD RETENTION:

Records must be retained within your control and be available for review at your place of business within the State of California. This responsibility will terminate no sooner than four (4) years from the date of the termination of the Agreement or three (3) years from the date of the last payment by ETP to the Contractor, or the date of resolution of appeals, audits, claims, exceptions, or litigation, whichever is later.

If you have any questions or comments regarding the information in this letter, please contact Ms. Robinson at 619-686-4971, or crobinson@etp.ca.gov, within ten (10) working days from the receipt date of this letter.

Sincerely,



Diana Torres, Manager
San Diego Regional Office



Carole Robinson, Contract Analyst
San Diego Regional Office

cc Kulbir Mayall, Manager, ETP Fiscal Unit
Master File
Project File

Date report e-mailed to Contractor 07/06/09